



# Missouri Strategic Initiative for Economic Growth White Paper

## A Regional Perspective

October 10, 2010

The Fort Leonard Wood Regional Commerce and Growth Association (FLW RCGA) is the economic development agency for the Fort Leonard Wood Region. The region includes the three counties of Laclede, Phelps and Pulaski, and Fort Leonard Wood.

### *Identify a need or problem (or a missed opportunity) that negatively affects Missouri's economy*

The Fort Leonard Wood Region has a number of extraordinary resources that need to be leveraged for major economic development in Missouri:

- **Fort Leonard Wood** continues to grow as an enduring military installation. It now has over 34,000 people working on post daily. Its impact on the regional economy is over 2.1 billion dollars annually. Over 88,000 troops graduate from Fort Leonard Wood annually. There is over \$500 million in on-going construction and over \$800 million in new construction scheduled for Fort Leonard Wood in the next 5 years.
- **The Leonard Wood Institute** has received almost \$50 million in federal research and development funding of which most has supported research in the state. This funding is encouraging defense companies to locate operations in the Fort Leonard Wood Region.
- **The University of Missouri Technology Park at Fort Leonard Wood** is about to begin major expansion with over 400 thousand square feet of new facilities planned. The park supports government, corporate and academic organizations that work closely with Defense and Army elements at FLW.
- **The Missouri University of Science and Technology** has recently completed major construction projects adding new research, academic, housing, and student service facilities to the campus. They have broken ground on a new innovation park. Student enrollment is at an all-time high.
- **Waynesville School District** opened a new career center in 2009 serving all of Pulaski County. Laclede and Phelps have modern centers as well.
- **Fort Leonard Wood retirees and the Missouri University of Science and Technology graduates** are well educated and motivated personnel for high technology companies across the region.

Currently, however, there is no coordinated state-level strategy to:

1. Attract, retain and grow National Security (government) organizations, investments and jobs to Missouri
2. Ensure that Missouri benefits from, or is not negatively impacted by, the next round of Base Realignment and Closure (BRAC) decisions
3. Attract, retain or grow private companies that do business with National Security agencies both inside and outside of Missouri

4. Cultivate value-added development benefits from doing more research/technology development related to National Security/military needs, with specific focus on engineering and advanced manufacturing capabilities

***Indicate the significance of the problem/opportunity***

Missouri and the FLW Region have the potential to attract more National Security-related agencies and their direct federal payrolls and contract dollars. Missouri also has the potential to attract and grow a significant number of National Security industry jobs and investment if a more coordinated state strategy were initiated.

The expansion of the National Security sector in Missouri will also add to the overall value of defense facilities and missions in Missouri as future BRAC decisions are made.

***Identify data that validates the extent of the problem/need/opportunity***

The Missouri Economic Research and Information Center (MERIC) conducted a 2008 analysis of the Defense industry in Missouri<sup>1</sup>. Study results indicate that:

- Missouri garners \$13 billion of defense contracts annually.
- Impact is \$6.3 billion in wages and over 147,000 jobs.

A 2006 report by the Public Broadcasting System (PBS) shows Missouri at \$6.5 billion in annual contracts, lagging well behind California, Virginia, and Texas in a middle pack of 8 states<sup>2</sup>.

According to Government Executive Magazine, DoD spends \$425 billion nationally, and the only Missouri-headquartered entity in the top 200 providers is Midwest Research Institute.<sup>3</sup>

Missouri is capturing 3% of the defense spending which looks good against having 1.7% of the nation's population. But, this is unlikely to be the best that could be achieved.

In addition to national security-related contracts, DoD employs over 16,000 military and almost 10,000 civilians in Missouri. Federal payroll is over \$1.8 billion annually at Fort Leonard Wood, Whiteman AFB, the Reserves, and the National Geospatial-Intelligence Agency (NGA) Operations Center in Missouri<sup>1</sup>.

In 2010 the Department of Homeland security allocated over \$37.1 million to Missouri across nine agency programs<sup>4</sup>.

An analysis<sup>5</sup> conducted in July 2009, projected that the Tech Park at FLW, with aggressive national marketing, could grow to 5 million square feet of facilities and over 22,000 high tech jobs within ten years.

Innovation today is not a Missouri strong suit. Kauffmann Institute ranks Missouri 44th in Economic Dynamism<sup>6</sup>, Milken Institute Technology and Science ranks Missouri third tier with respect to its Index (2009).

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<sup>1</sup> "The Economic Impact of Department of Defense Contracts in Missouri" November 2009. MERIC

<sup>2</sup> "Politics and Economy" PBS report 1/26/06 <http://www.pbs.org/now/politics/defensemap06.html#mo>

<sup>3</sup> "Top 200 Contractors" Government Executive August 15, 2007 <http://www.govexec.com/features/0807-15/0807-15s2s1.htm2>

<sup>4</sup> Department of Homeland Security, "Preparedness Grant Program Overview", December 2009

<sup>5</sup> FLW RCGA, Tech Park Committee, July 2009

<sup>6</sup> Kauffmann Institute, 2009

### ***Identify best practices related to this issue***

The States with the highest capture DoD contracting dollars are California with \$28 billion, Virginia with \$23 billion, and Texas with \$21 billion. Efforts like that of the Virginia legislation in creating the Virginia National Defense Industrial Authority are worthy of study and emulation<sup>7</sup>. And, in Texas the comptroller has a special focus on defense industries<sup>8</sup>. The state of Ohio does a very good job of tracking the impacts of NS investments in the state<sup>9</sup> and has invested aggressively in research and technology developments that leveraging company growth<sup>10</sup>. The Governor's Military Council protects and grows Defense operations in Kansas<sup>11</sup>.

### ***Develop an outline of the proposed solutions or actions to address the need/problem/opportunity***

- Revamp the Missouri Military Preparedness and Enhancement Commission (MMPEC) mission to include economic impact and development
- Develop a Missouri National Security Technology Partnership (MNSTP) to champion, establish and support programs that will assist small businesses in matching innovative technology to NS needs and fully engage with NS efforts to develop, produce, and deploy new systems and technology to meet NS needs. Additionally, the MNSTP will create and follow roadmaps that enhance the state's ability to create sustainable job growth, compete on a national and global scale, and attract further business investments.
- Establish a program to aggressively recruit new National Security missions and facilities as part of the scope of this initiative<sup>12</sup>
- Study the National Security sector economic impact on Missouri. Good data is available for the Defense segment, but not for the other segments.
- Study the practices of California, Texas, Virginia, Ohio, Kansas and the other top performing states to identify best practices for adoption in Missouri
- Form and help resource additional public/private sector partnerships like the Jordan Valley Innovation Center (JVIC)<sup>13</sup>,
- Establish multi-disciplinary centers at Missouri institutions to enable and support research and technology development aimed at National Security needs, like the Institute for Development and Commercialization of Advanced Sensor Technology (IDCAST) in Dayton, OH<sup>14</sup>.
- Focus on product development and commercializing research and innovation, especially in areas related to National Security.
- Develop an aggressive, discovery and market based intellectual property strategy.
- Continue state actions to improve intellectual property protection

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<sup>7</sup> <http://www.vndia.org/>

<sup>8</sup> <http://www.window.state.tx.us/comptrol/fnotes/fn0808/>

<sup>9</sup> Ohio Department of Development, "Ohio's Aerospace & Defense Industries", <https://www.ohiothirdfrontier.com/research/files/B409000000.pdf>

<sup>10</sup> Ohio Department of Development, "Ohio Third Frontier Comprehensive Portfolio of Programs", <http://www.development.ohio.gov/ohiothirdfrontier/ProgramDescriptions.htm>

<sup>11</sup> <http://governor.ks.gov/issues-a-initiatives/military-and-veterans/542-governors-military-council>

<sup>12</sup> Kerr briefing, 7-29-10, indicates that military bases and federal facilities are not part of this initiative

<sup>13</sup> <http://www.jvic.missouristate.edu>

<sup>14</sup> <http://www.idcast.com>

- Expand mechanisms to support long-term investment for technology-based economic development such as the Missouri Science and Innovation Reinvestment Act (MOSIRA)
- Support the Missouri workforce advantage by continuing and expanding the technical workforce pipeline in K12 STEM education
- Assist the federal government in providing security clearances to Missouri businesses and workers
- Increase non-interstate transportation capabilities to support and attract identified industries.
- Initiate a marketing plan that will promote our unique marketing position for growing National Security-related research and advanced manufacturing.

***Indicate the resources necessary to implement the actions***

- Assigning MMPEC new duties is costless; their competent execution of those duties would have to be studied and may result in tasking to MERIC or the University of Missouri Economic and Policy Analysis Research Center (EPARC).
- The MNSTP would require an annual budget of \$200,000.
- A program to aggressively recruit new National Security missions and facilities will require an annual budget of about \$300,000.
- Establishing additional public/private sector partnerships and multi-disciplinary centers will be a multi-million dollar investment for the state. Federal and private sector funding can be found to share the costs. Experience has shown that the pay-back can be many-fold.
- Studying the economic impact of the National Security sector in Missouri should cost less than \$40,000.
- Conducting a best practices study should cost less than \$100,000.
- The STEM pipeline investments are consistent with requests already pending and championed by the Department of Higher Education<sup>15</sup>.
- Assisting the federal government in providing clearances would require new investment in facility security officers to provide some regional coverage and investigators if this action was supported by the federal authorities.

***Indicate the benefits of the proposed actions/solutions, and the method to measure performance***

- More high-wage jobs and federal dollars in Missouri
- More opportunities for small businesses
- Maturing of the National Security cluster in Missouri which in itself attracts more National Security agencies and firms

Performance measures would include number of new jobs and average salaries achieved, additional federal dollars spent in Missouri, and percent of growth of the National Security sector in Missouri.

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<sup>15</sup> <http://www.dhe.mo.gov/ifc.html>